

**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

W.R. GRACE & CO., *et al.*

Debtors.

Chapter 11

Case No. 01-01139 (JKF)

(Jointly Administered)

Re: Docket Nos. 11067, 11748 and 12405

Hearing Date: July 24, 2006 at 2:00 p.m.

**SUPPLEMENTAL LIMITED RESPONSE OF HER MAJESTY THE QUEEN  
IN RIGHT OF CANADA AS REPRESENTED BY THE ATTORNEY GENERAL  
OF CANADA TO DEBTORS' NINTH MOTION FOR AN ORDER PURSUANT  
TO 11 U.S.C. §1121(d) EXTENDING DEBTORS' EXCLUSIVE PERIODS IN  
WHICH TO FILE A CHAPTER 11 PLAN AND TO SOLICIT VOTES THEREON**

Her Majesty the Queen in Right of Canada as represented by The Attorney General of Canada (the "Crown"), by and through its undersigned counsel, hereby files this Supplemental Limited Response to the Debtors' Ninth Motion For An Order Pursuant To 11 U.S.C. §1121(d) Extending Debtors' Exclusive Periods In Which To File A Chapter 11 Plan And To Solicit Votes Thereon and in support hereof states as follows:

1. As the Court is aware, the Crown has asserted claims for contribution and indemnification against the Debtors arising out of certain litigation instituted by the Canadian Claimants in Canada.

2. On or about February 8, 2006, the Crown forwarded to Debtors a settlement proposal relating to its claims.

3. On February 10, 2006, the Crown filed its Limited Response to Debtors' Ninth Motion For An Order Pursuant to 11 U.S.C. §1121(d) Extending Debtors' Exclusive Periods In Which To File A Chapter 11 Plan And To Solicit Votes Thereon

[D.I. 11748] ("Limited Response"). As a result of the Limited Response, Debtors' counsel made representation on the record in the February 2006 hearing that payment of asbestos claims would be paid in full.

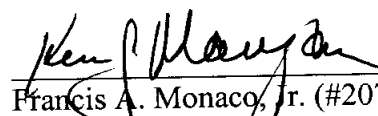
4. The Crown participated in the mediation process established by the Court. The mediation, however, did not resolve the Crown's claims. Further, Debtors have never responded to the Crown's settlement proposals.

5. The present Plan and Disclosure Statement do not adequately address the Crown's claims. Moreover, no process or procedure has been established in Canada and/or in the United States to deal with asbestos property damage claims; contribution and indemnification claims; or the claims of the Crown.

WHEREFORE, the Crown, respectfully requests that this Court condition any further extensions of exclusivity requested by the Debtors on their continuing good faith negotiations with the Crown and that the Court grant such other and further relief as it deems just and proper.

Dated: July 14, 2006

**MONZACK AND MONACO, PA**

  
\_\_\_\_\_  
Francis A. Monaco, Jr. (#2078)  
Kevin J. Mangan (#3810)  
1201 North Orange Street, Suite 400  
Wilmington, DE 19801  
(302) 656-8162